

The privilege of the bank, which was originally granted for twenty-five years, includes the monopoly of note issues. The notes of ten dinars (\$2) are redeemable in silver and those of larger denominations in gold. The bank is authorized, however, to redeem in silver at its market value in a proportion fixed by the minister of finance upon the special petition of the bank. Silver may also be substituted for gold to the amount of not more than twenty-five per cent, of the cash reserve and the bank is not permitted to increase its note issues above two and a half times its reserve.

The provision that the notes may be redeemable in part in silver led to a degree of distrust of the note issues somewhat similar to that which existed in 1893 *ⁿ the United States regarding the notes issued under the Sherman law. This distrust was not allayed when in March, 1898, the government made an arrangement with the bank for a new issue of 10,000,000 dinars in silver notes to meet the floating debt. It was provided, however, that the amount of silver notes put in circulation should not be greater at any time than 32,000,000 dinars and that as the loan to the government was reimbursed, within the ensuing ten years, the silver circulation should be reduced until it should not exceed 25,000,000 dinars.¹ Improvement in the monetary situation gradually set in, however, and persisted, in spite of the political disturbances of 1903. Only about a year after the violent change of dynasty the minister of finance reported that the premium on gold had fallen to one-fifth of one per cent., and that importation of the yellow metal was under consideration.² The next year (1905) found the bank able to reduce the discount rate, which had been seven and a half per cent, where the loan was in gold, to the uniform basis of six per cent, for both gold and silver loans.⁹

The affairs of the Bank of Servia have not grown so rapidly as those of the other Balkan states, but circulation at the close of 1907 was 37,362,927 dinars (\$7,225,000) and

¹ *Economiste Europeen*, April 22, 1898, XIII., 509.

² *Ibid.*, September 23, 1904, XXVI., 398.

* *Ibid.*, May 26, 1906, XXIX., 668.